

The Internal Revenue Service Office of Governmental Liaison has provided the National 4-H Headquarters-USDA with a set of FAQ's regarding the taxability and 1099 filings required from the sales of livestock at county fairs. These are posted for your information. Additional information may be found at <http://www.irs.gov>.

**Livestock Sales and Prize Winnings Related to 4-H Programs
Taxable Income
Frequently Asked Questions**

Is income from the sales of livestock and premium payments taxable?

Internal Revenue Code section 61 specifically states that "Except as otherwise provided in this subtitle, gross income means all income from whatever source derived," This income is clearly taxable to the 4-H member. In most situations, the member would file a Schedule F to report the income. There is no basis for a position that only income in excess of \$600 is taxable. This seems to be a misunderstanding of the filing threshold for Forms 1099.

What are reporting requirements (Form 1099) for income received from the sale of the animal at the auction?

Treasury Regulation section 1.6045-1(c)(7) provides an "exception for certain sales of agricultural commodities and commodity certificates". It states, "No return of information is required under section 6045 for a spot or forward sale of an agricultural commodity". In the definitions at 1.6045-1(c) (7) (iv), livestock is defined as an agricultural commodity and a spot sale is defined as "a sale that results in the substantially contemporaneous delivery of a commodity." Thus, there would be no Form 1099 filing requirements for the sale of the animals at auction.

Is Form 1099 required for premium payments?

The entity paying the premium does not receive the animal in return for the premium payment. The person who won the bid at the auction gets the animal; the payor of the premium gets only the good feeling or advertising value of the premium payment. The premium payments are paid as a prize or award. Therefore, since this is not a spot sale and no exception has been identified for this type of income there would be a Form 1099 filing requirement for the payor of the premium.

Source: IRS (4-2007)